



*Mining the Past...Powering the Future*

## Foundation Coal - William N. Poundstone Lecture

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**FOUNDATION ENERGY SALES, INC.**



# Got Coal?



India

Gad Koyal?



Japan

Sabaki sekitan?

Germany



Hat Kohle erhalten?



Turkey

Bak kömür



Portugal

Carvão recebido?



China

烧成炭 ?



Spain

¿Tienes carbon?



Netherlands

Heeft u steenkool?



Italy

Il carbone preso?



France

Charbon obtenu?



Canada

Got coal, eh?



# FORWARD-LOOKING STATEMENTS

Statements in this presentation which are not statements of historical fact are “forward-looking statements” within the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on the information available to, and the expectations and assumptions deemed reasonable by, Foundation Coal Holdings, Inc. at the time this presentation was made. Although Foundation Coal Holdings, Inc. believes that the assumptions underlying such statements are reasonable, it can give no assurance that they will be attained. Factors that could cause actual results to differ materially from expectations include the risks detailed under the section “Risk Factors” in the company’s Form 10-K filed with the Securities and Exchange Commission.



# Presentation Overview

- **Foundation Coal background**
  - Strong safety record
  - Diversified operations
  - Attractive asset base
  - Positive outlook for organic growth
  - Tremendous opportunities for skilled labor
- **Industry Overview**
  - Abundance of coal in the US
  - New US power plants
  - US historical and forecasted demand
  - Global historical and forecasted demand
- **Summary**



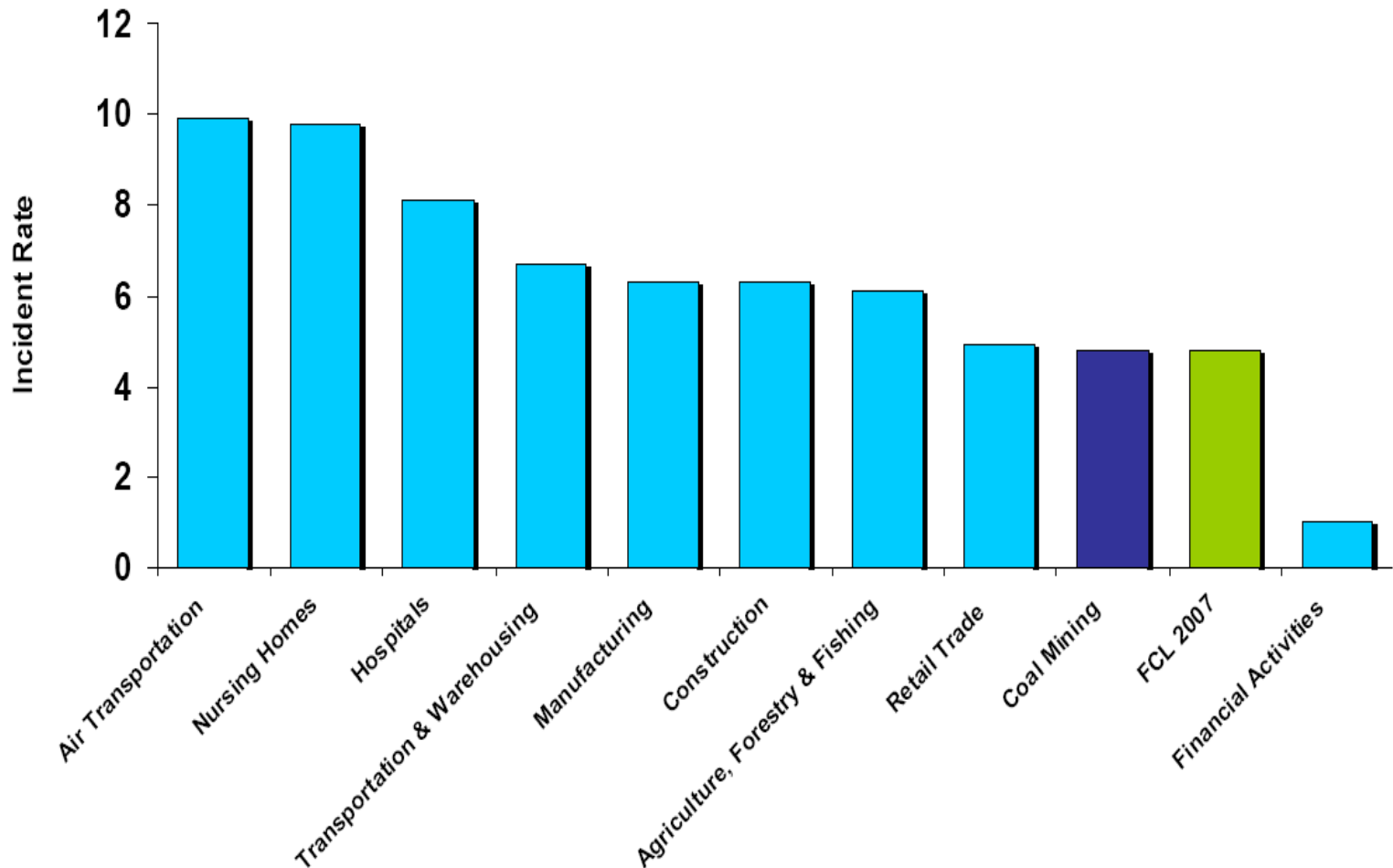
# Foundation Coal Highlights

- Size - fourth largest U.S. producer by volume, operating 13 mines in WY, PA, and WV
- Current productive capacity of 76 mm tons per year
  - 55 mm PRB
  - 14 mm NAPP
  - 7 mm CAPP
- Markets - domestic and export steam and metallurgical coals
- Only producer with major presence in both NAPP & PRB
- Focus on safety and environmental compliance
- Focus on people, productivity, and process improvement



# A Commitment to Safety

## Incident Rates of Non-Fatal Occupational Injuries by Industrial Category





# Diversified Operations

## Powder River Basin (PRB)

Production Capacity (tons MM)	55.0
LTM Shipments (tons MM)	51.6
LTM Sales (\$ MM)	\$468.9
LTM Avg. Realization (\$/Ton)	\$9.08
Reserves (tons MM)	844
Btu	Low
Sulfur Content	Compliance

## Northern Appalachia (NAPP)

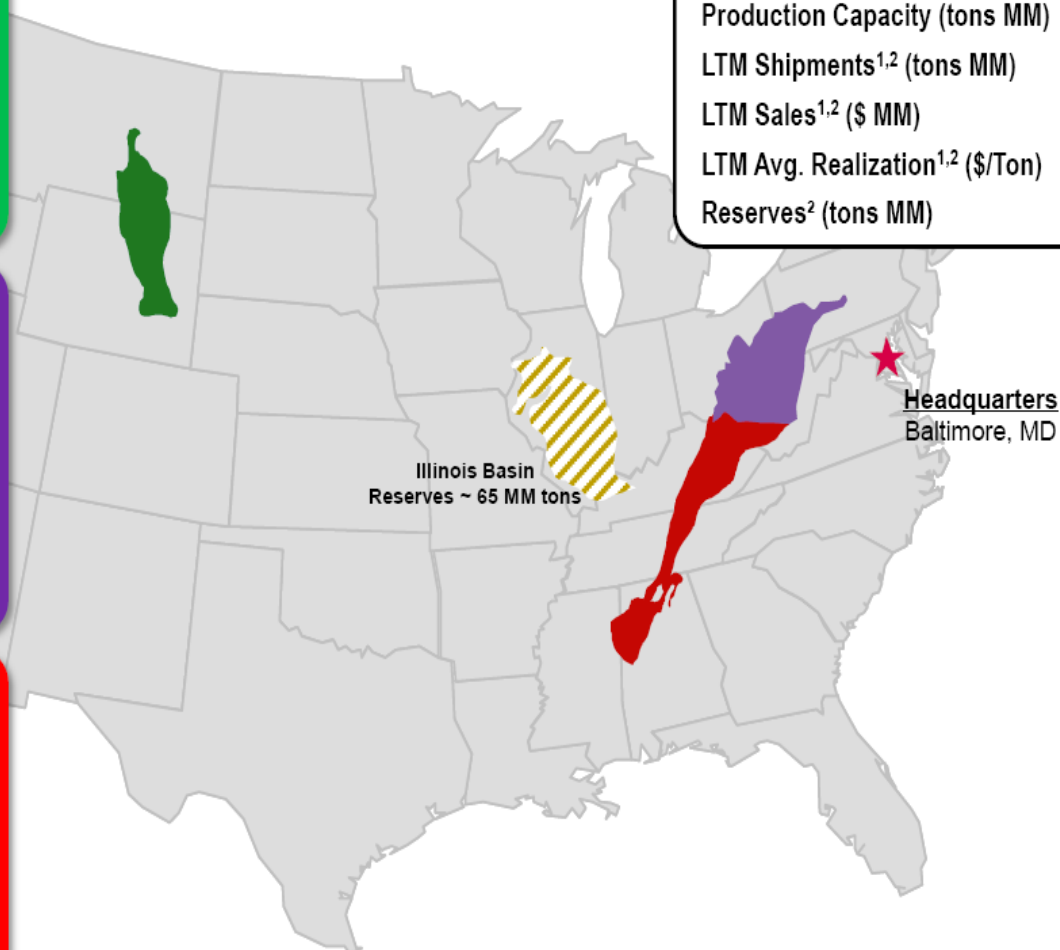
Production Capacity (tons MM)	14.0
LTM Shipments (tons MM)	13.0
LTM Sales (\$ MM)	\$521.6
LTM Avg. Realization (\$/Ton)	\$40.14
Reserves (tons MM)	742
Btu	High
Sulfur Content	Medium

## Central Appalachia (CAPP)

Production Capacity (tons MM)	7.0
LTM Shipments (tons MM)	8.5
LTM Sales (\$ MM)	\$446.2
LTM Avg. Realization (\$/Ton)	\$52.60
Reserves (tons MM)	191
Btu	High
Sulfur Content	Compliance & Low



Production Capacity (tons MM)	76.0
LTM Shipments <sup>1,2</sup> (tons MM)	73.6
LTM Sales <sup>1,2</sup> (\$ MM)	\$1,453
LTM Avg. Realization <sup>1,2</sup> (\$/Ton)	\$19.74
Reserves <sup>2</sup> (tons MM)	1,840





# NAPP Operations



- 2 longwalls, 4 continuous miners
- High-Btu, mid-sulfur steam coal
- Batch-weigh loadout (NS & CSX)
- 636 employees



- 1 longwall, 4 continuous miners
- High-Btu, mid-sulfur steam coal
- 17-mile railroad to river dock
- 679 employees





# CAPP Operations



**Kingston Resources**

- 2 underground mines, each continuous miner-equipped
- High-quality metallurgical coal
- Truck to barge or rail (CSX)
- 218 employees



**Rockspring Development**

- Continuous miner-equipped
- Low sulfur steam coal
- NS-served
- 351 employees



## CAPP Operations (Cont.)



- 4 underground mines, each continuous miner-equipped
- Low sulfur steam and industrial coal
- Truck to barge or rail (CSX)
- 209 employees



- 2 surface mines, 1 loader/truck & 1 excavator/loader/truck equipped
- Low sulfur steam coal, high-quality export metallurgical coal
- Rail-served (CSX/RJCV-Pax, NS-Paynter Branch)
- 116 employees



# PRB Operations



- **BNSF/UP rail access**
  - **8,500 Btu, 0.60 Lb. SO<sub>2</sub>/mmbtu**
  - **BNSF rail access**
  - **8,400 Btu, 0.80 Lb. SO<sub>2</sub>/mmbtu**
- **Truck/shovel mining method**
  - **587 total employees**



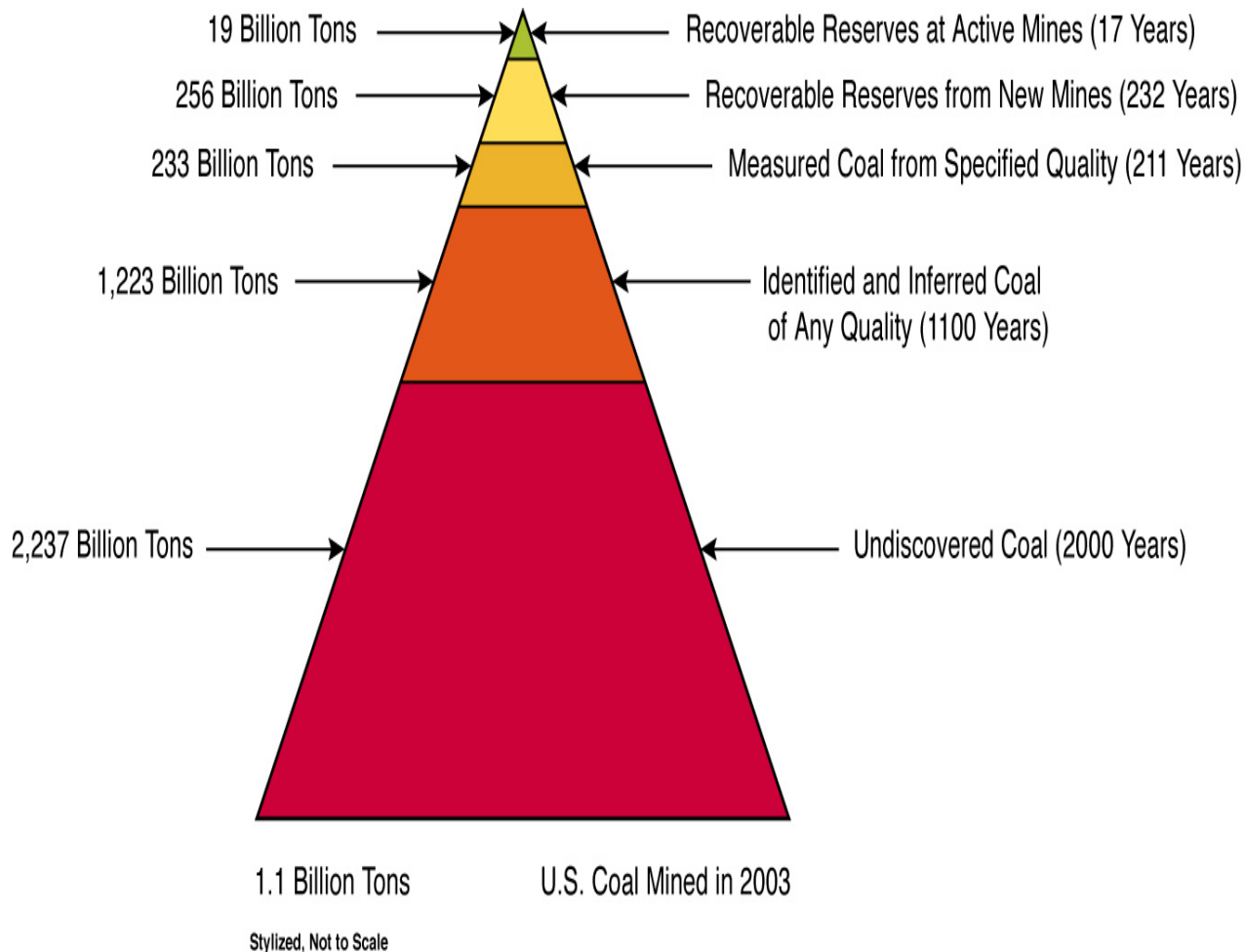
# The Need for Skilled Labor

- There are incredible opportunities for new graduates, as a large portion of the industry approaches retirement.
- The next generation of industry employees will have the following characteristics:
  - Success oriented
  - Good communicator
  - Sound decision making
  - Continuous improvement apostle
  - Promote teamwork
  - Problem solving
  - Openness to change
  - Avid learner
  - Customer focus
  - Conflict management
  - Thick skin



# Abundance of Coal

- Nearly 4 *trillion* tons of coal are beneath US soil
- An additional 1.3 *trillion* tons of coal have recently been announced to exist beneath North Dakota, according to the NDGS.
- Total coal reserves in the US amount to a roughly 4500 year supply at current burn rate.
- Not all coal in the ground can be economically extracted using today's technology.



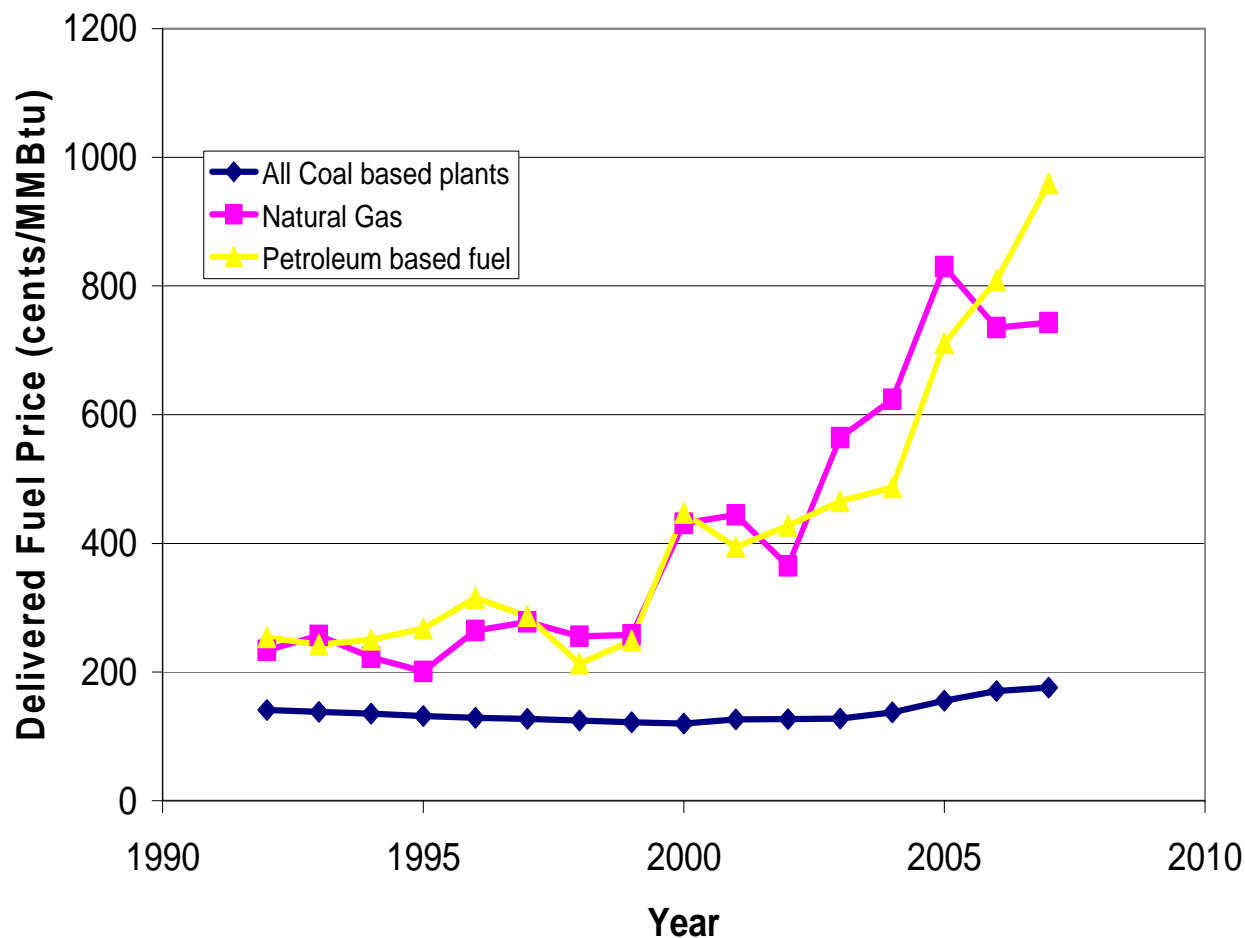
Source: EIA and USGS





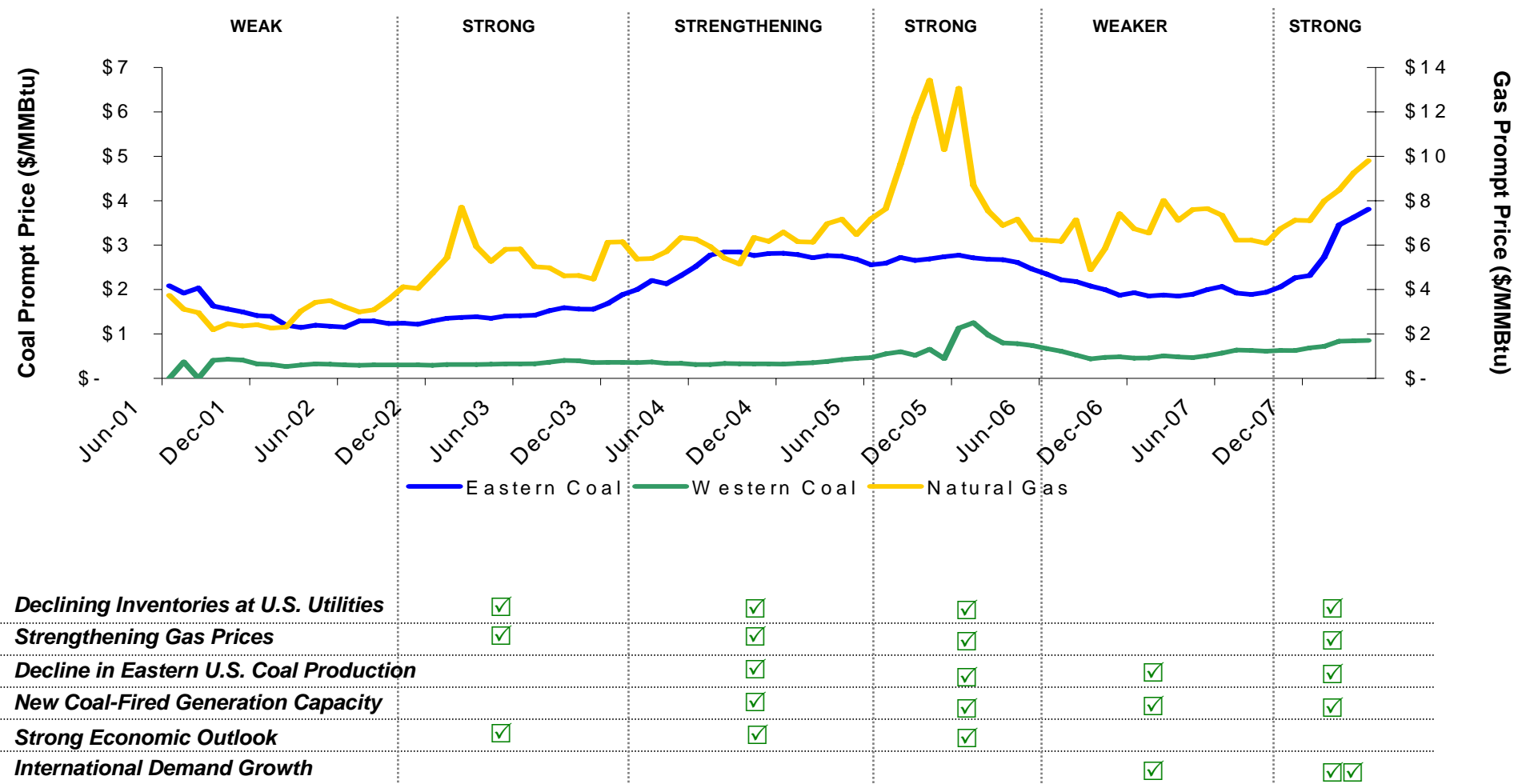
# Delivered Fuel Prices to Plants in the US

- Delivered coal prices have been relatively stable and low.
- The relative stability of delivered coal prices has led to constant and increasing demand.





# STRONG AND SUSTAINABLE PRICING ENVIRONMENT



Sources: Global Energy, EIA

Eastern coal is BS Barge 12,000 Btu



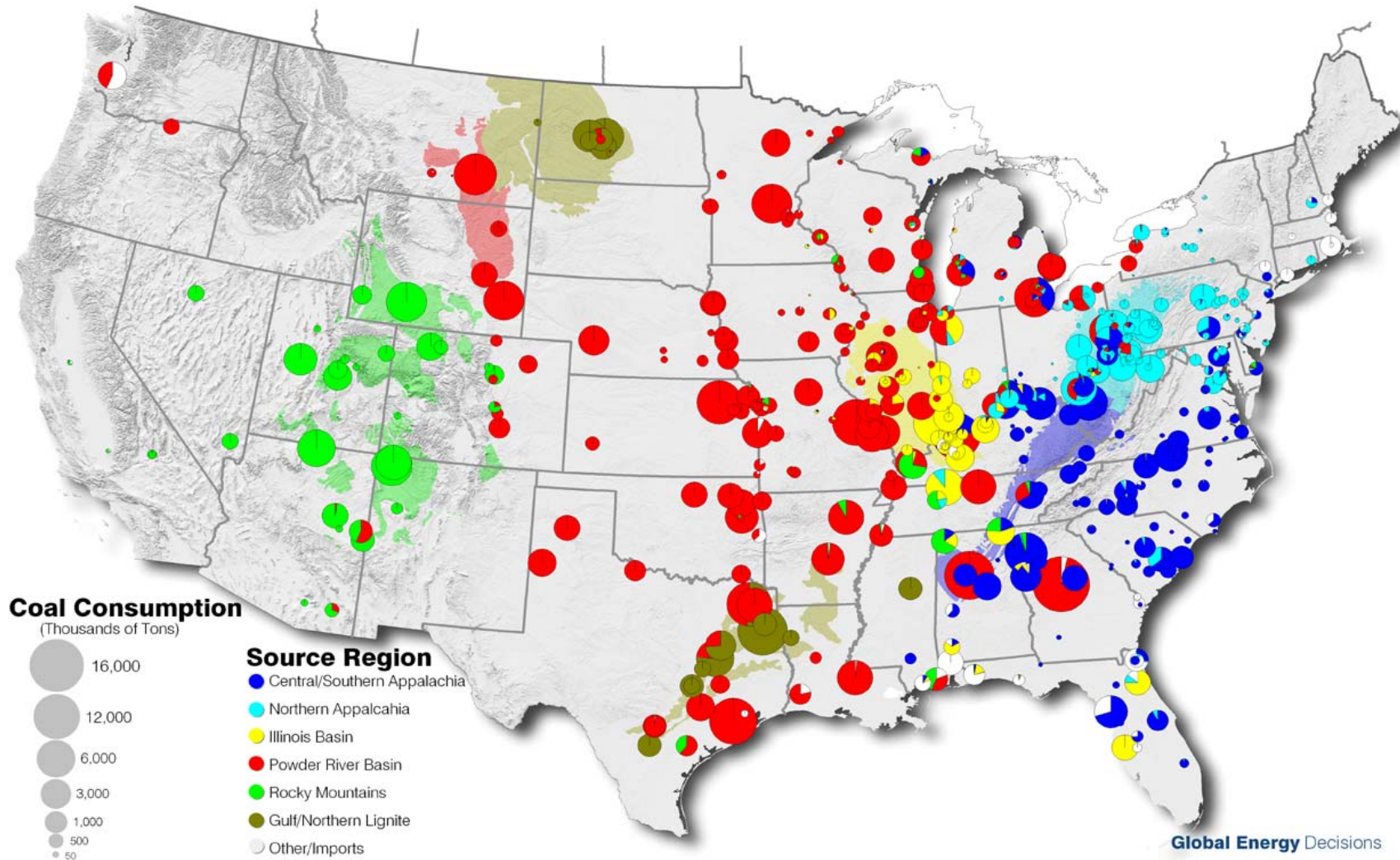
# High Prices = Increased Production?

- High coal prices may not necessarily translate to significant short-term increase in production.
  - Difficulty in obtaining permits
  - Environmental issues
  - MINER Act
  - Safety regulations
  - Adverse geological conditions
  - Increase in input mine costs
  - Labor shortage





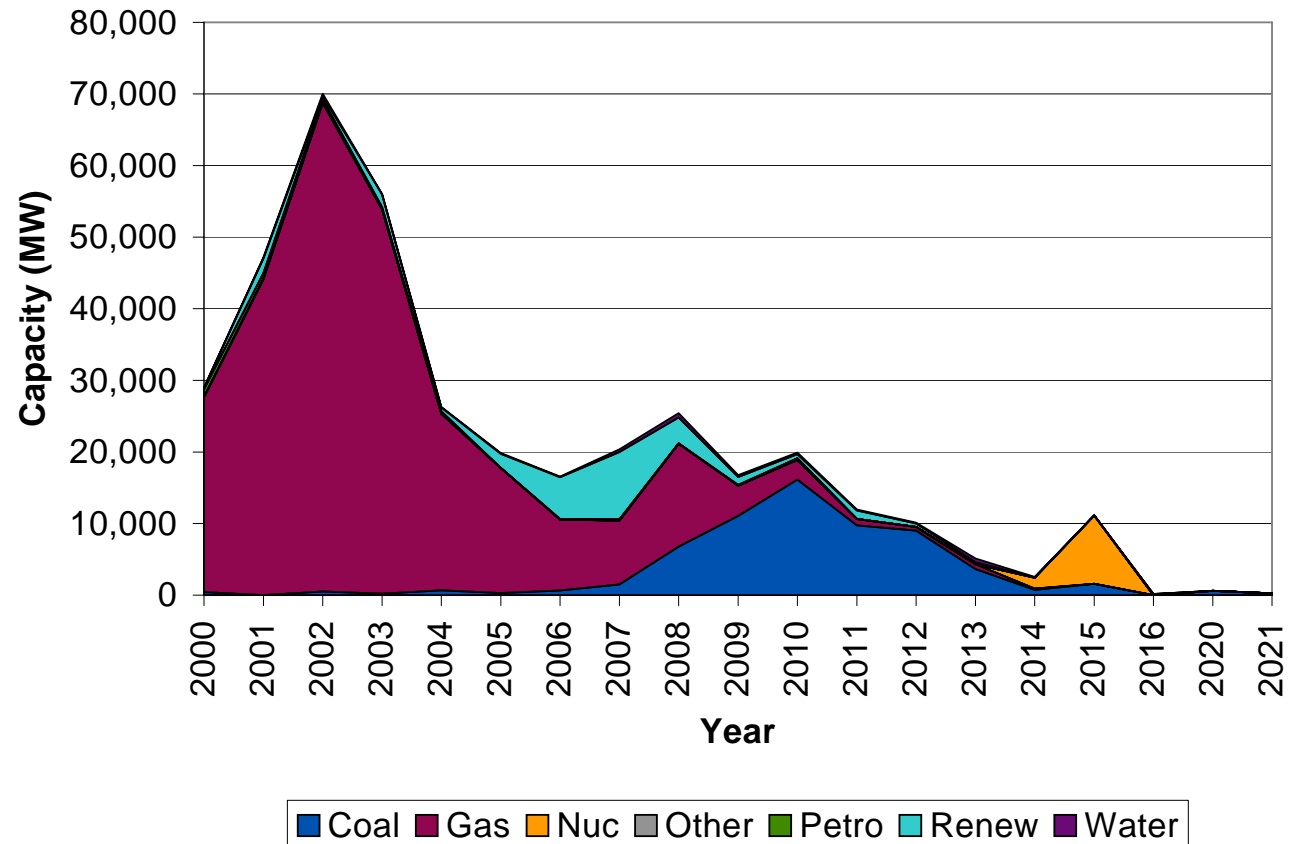
# U.S. Coal Consumption by Basin 2006





# US Capacity Additions: 2000 - 2021

- Early 2000's over-build of gas-fired capacity coming to an end.
- Projected coal-fired capacity will grow over next 6 years.
- Typical life of a coal plant is 50 years.

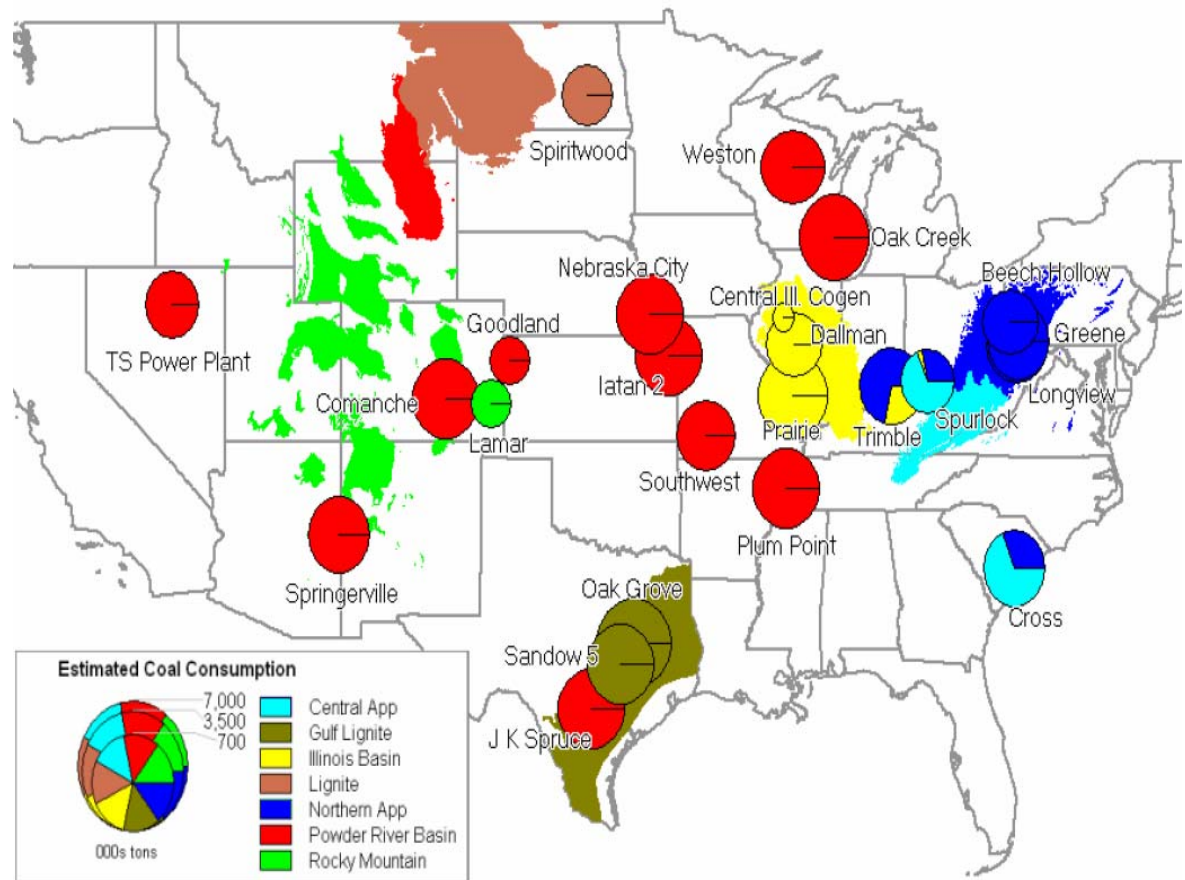


Source: Global Energy



# US Coal Plant Projects Underway

- US coal plants under construction are expected to burn primarily PRB, CAPP and NAPP coal.
- Foundation Coal is well positioned to supply these new plants.



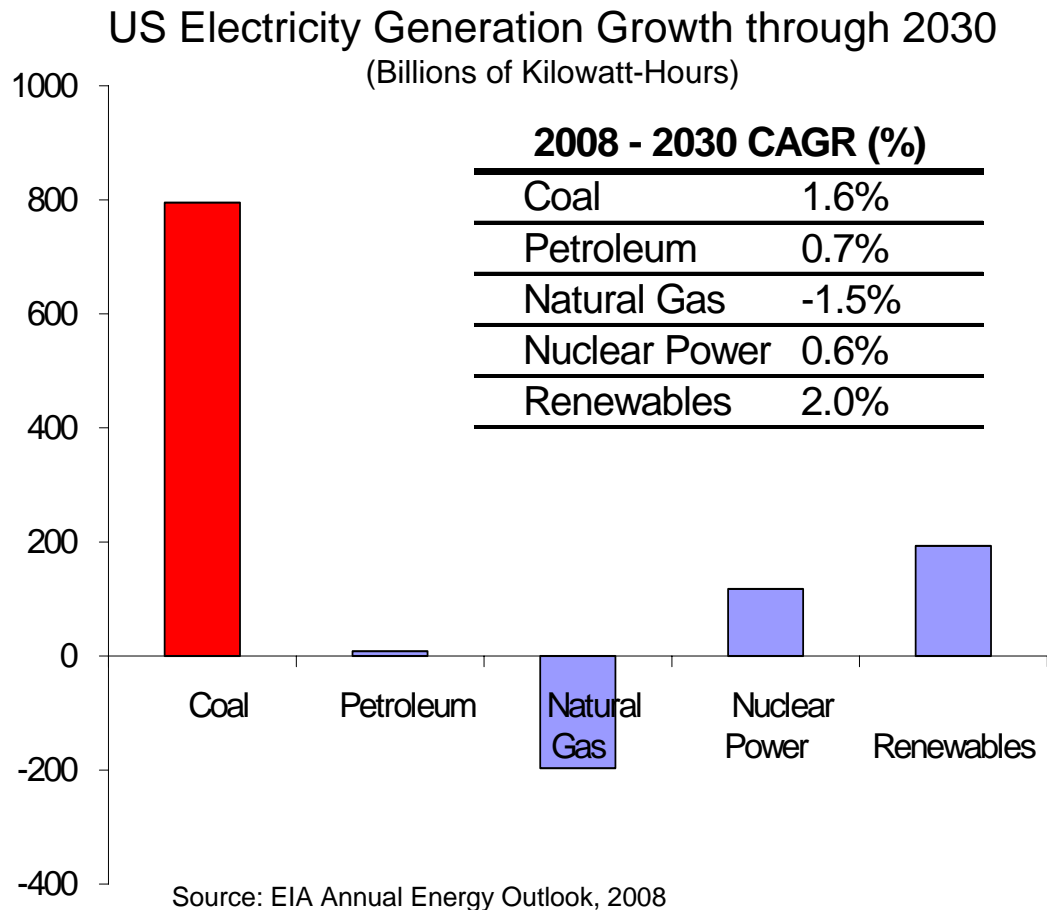
Source: Global Energy



# Coal is the Fastest Growing Fuel in the US for Electricity Generation

- Today 50% of the electricity in the US is fueled by coal.

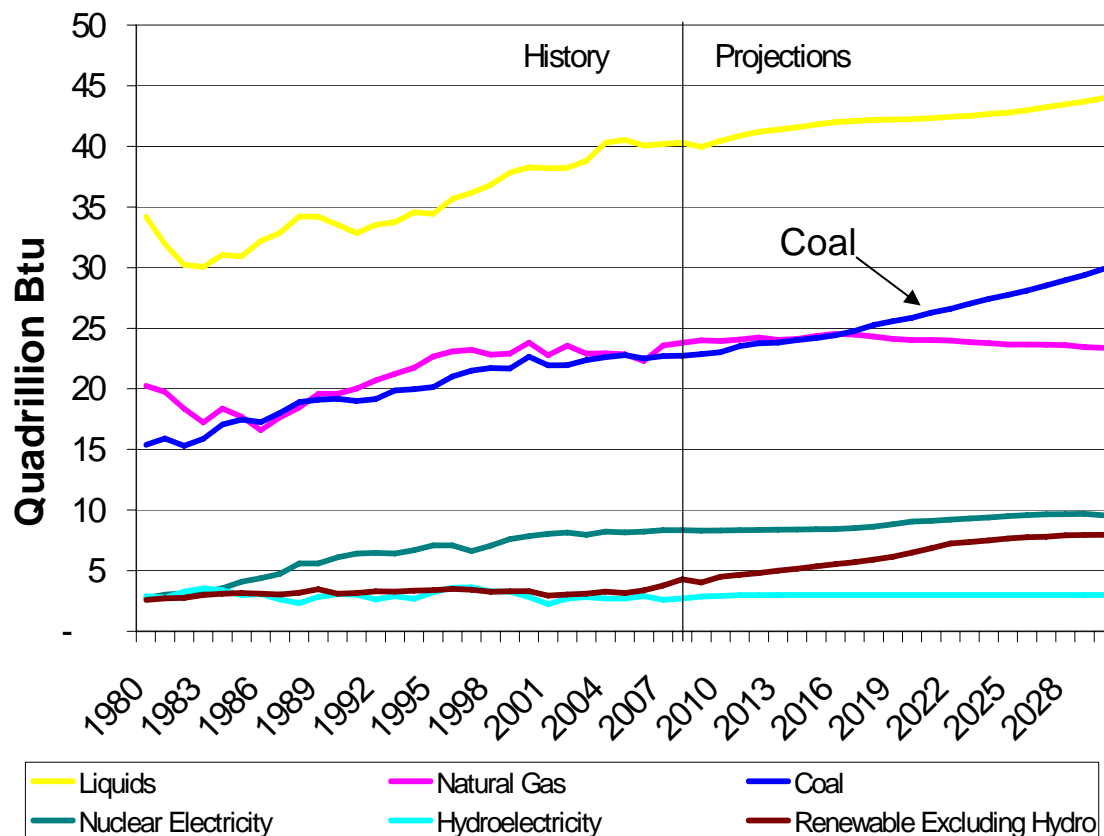
- By 2030, the EIA forecasts coal will generate over 57% of US electricity.





# Past and Projected US Energy Consumption (All Uses)

- As the only abundant, domestic energy resource, coal consumption is expected to continue to grow.
- Renewables are also expected to grow rapidly, but cannot keep pace with coal's growth, according to the EIA.



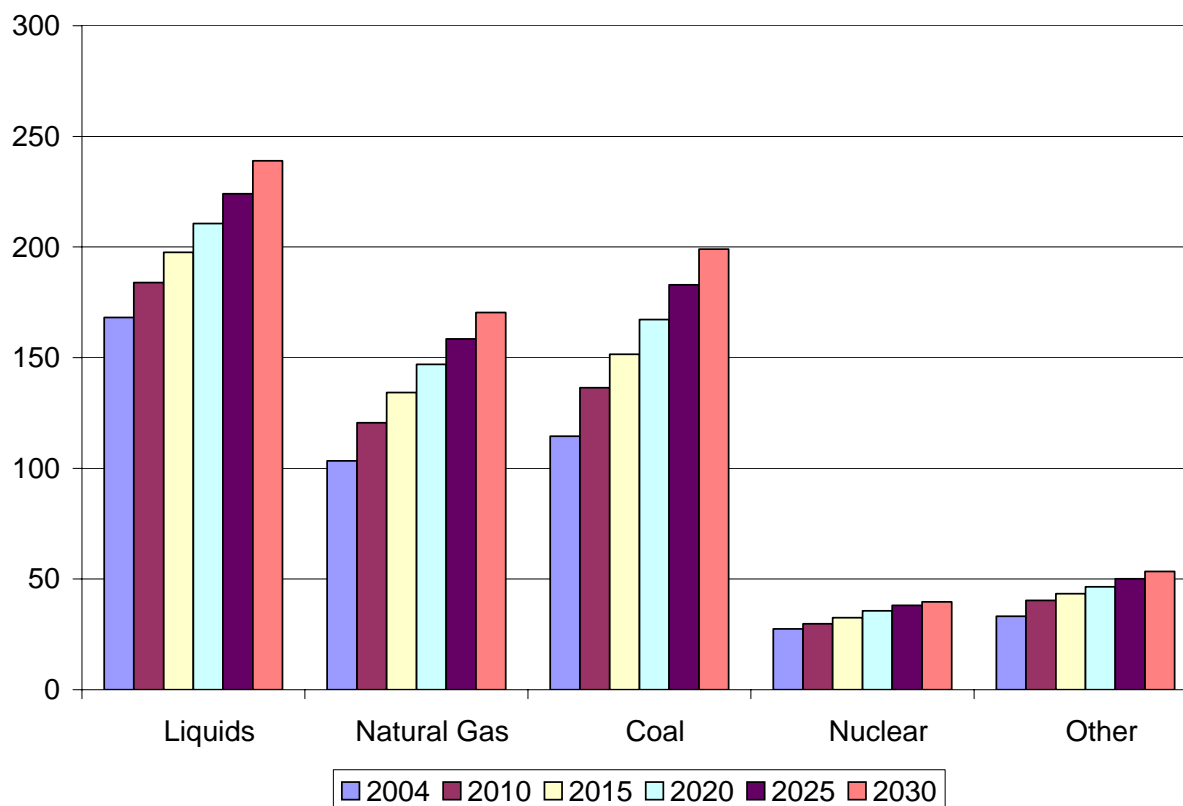
Source: EIA Annual Energy Outlook 2008



# Coal is the Fastest Growing Fuel in the World

- By 2030, Global coal consumption is expected to rise by nearly 85 QBTu, a 74% increase
- Oil is next at 71 QBTu, a 42% increase.

World Total Energy Consumption through 2030  
(Quadrillion Btu)



Source: EIA International Energy Outlook 2007

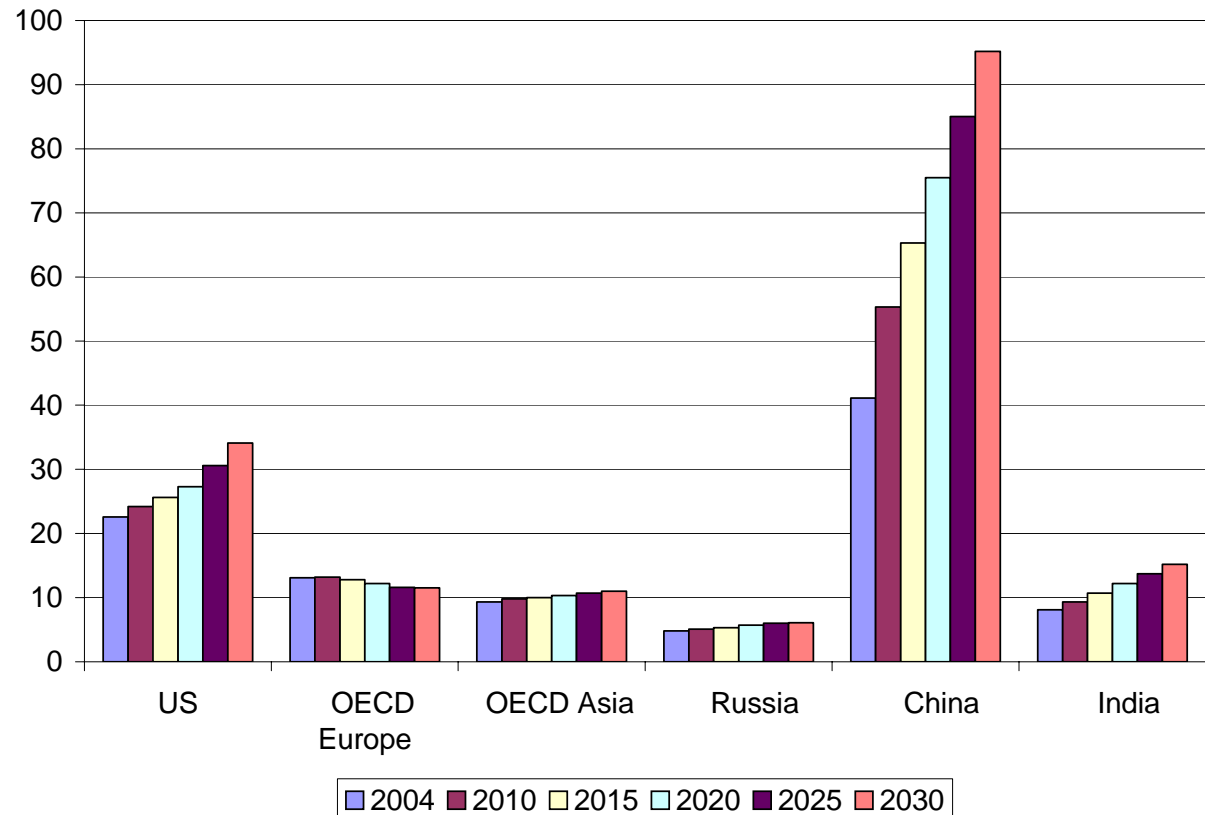


# World Demand for Coal

- China accounts for the largest growth at 3.3% annually.
- India is expected to grow at 2.5% annually.
- US growth is forecasted to increase by 1.6% annually.

## World Demand for Coal through 2030

(Quadrillion Btu)



Source: EIA International Energy Outlook 2007



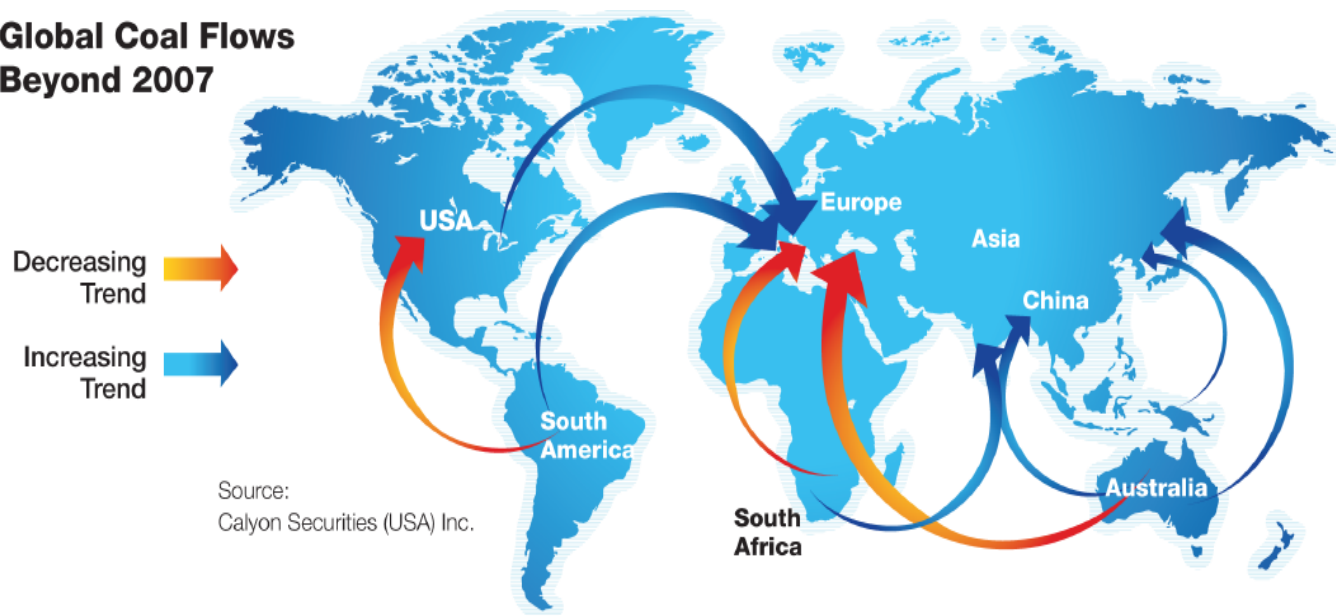


# Impact of Increasing Global Demand

## Asian Demand is key

- Asia naturally draws from Australia, but export growth is overwhelming infrastructure
- Asia now drawing thermal coal from South Africa, historically a supplier for Europe
- Europe is relying increasingly on coal from the Americas
  - US exports in 2007 were 59.1 MMtons, a 19% increase YOY
  - US exports should rise, tightening supply: 75-80 MMtons projected in 2008

## Global Coal Flows Beyond 2007







# CATALYSTS DRIVING THE MARKET

## **Current Market Fundamentals**

- Favorable US currency
- Relatively high natural gas prices
- Favorable ocean freight rates
- Close to normal domestic stockpiles
- Lead time to increase U.S. production



## **Recent Events Have Accelerated International Market Tightness**

- China – Projected net importer beginning in 2008
- China – Curtailed coal exports through February/March
- India – Utility stockpiles low
- Venezuela – State-ordered contract re-pricing
- Australia – January/February monsoons resulted in multiple force majeure
- South Africa – Production issues, low utility inventories & power outages



## Summary

- **Coal is critical for US and global energy needs**
  - Half of US electricity is generated from coal
  - 41% increase in US coal demand by 2030
  - 74% increase in global coal demand by 2030
- **Foundation Coal has an excellent industry position**
  - Among the largest producers – fourth by volume
  - Nationally diversified – only producer with a major presence in NAPP and PRB
- **Need for skilled labor will be critical for the industry**
  - Positive outlook for growth
  - Many opportunities available for next generation of industry professionals



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